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EFFECTIVENESS OF BUY NOW, PAY LATER (BNPL) SERVICES ON CONSUMER PURCHASING BEHAVIOUR IN OFFLINE RETAIL SHOPS: A STUDY ON COIMBATORE

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ABSTRACT
The emergence of Buy Now, Pay Later (BNPL) services has significantly influenced modern consumer purchasing patterns, particularly in retail environments. This study explores the effectiveness of BNPL services in shaping consumer purchasing behavior within offline retail shops in Coimbatore. With the growing popularity of deferred payment options, it becomes essential to understand how BNPL impacts customer satisfaction, purchase decisions, and loyalty in a physical retail context. Data was collected through a structured questionnaire distributed among 226 consumers who have used BNPL services in offline retail settings. Key variables, including satisfaction levels and willingness to recommend BNPL services, were analyzed using correlation techniques. The findings reveal a weak and statistically insignificant relationship between customer satisfaction with BNPL in offline retail and their likelihood to recommend it to others. This suggests that while BNPL may enhance purchasing power, its influence on customer advocacy may be limited in the offline retail space. The study offers insights for retailers and financial service providers aiming to refine BNPL offerings and align them with consumer expectations in local markets like Coimbatore.

KEYWORDS: *Buy Now Pay Later (BNPL), Consumer Purchasing Behavior, Offline Retail, Customer Satisfaction, Coimbatore, Deferred Payment.*

I. INTRODUCTION

This study aims to assess the effectiveness of BNPL services in offline retail by analyzing consumer purchasing behavior. It will explore how BNPL influences purchase frequency, spending habits, and customer satisfaction in physical stores. By examining these factors, the research seeks to provide valuable insights into the role of BNPL in shaping modern retail strategies and consumer preferences.

II. REVIEW OF LITERATURE

1. **Della Ayu Zonna Lia and Salsabilla Lu'ay Natswa (2021) studied on "Buy-Now-Pay Later (BNPL),** Generation Z's Dilemma on Impulsive Buying and Overconsumption Intention" BNPL services drive impulse purchases and higher spending, especially among Gen Z consumers. Its flexibility makes it a preferred alternative to credit cards, increasing transaction sizes. However, BNPL raises concerns about debt accumulation and financial mismanagement. Regulators are focusing on consumer protection and responsible lending.
2. **Chay Fisher et. Al., (2021) studied on "Developments in the Buy Now, Pay Later Market"** BNPL adoption has surged due to its ease of use and flexible payment options. It encourages impulsive spending, leading to financial instability and debt concerns. Regulatory gaps allow BNPL providers to bypass traditional credit laws, posing risks to consumers. Stricter regulations and financial education are needed to mitigate these risks.
3. **Dr. Komal Ahuja (2021) studied on "The Retail Revolution Synergy of E-Tail and Brickand-Mortar in a Post-Pandemic Era",** BNPL services have significantly influenced consumer behavior by making purchases more accessible through deferred payments. Research highlights that while BNPL boosts retail sales, it also

contributes to impulsive spending and potential debt accumulation. The lack of stringent regulations allows consumers to overextend financially, raising concerns about long-term financial stability. Studies emphasize the need for regulatory oversight and financial education to promote responsible credit usage and mitigate risks.

4. **Ahmed Elsayed et. Al., (2022) carried out a study on "Impulsive Buying Behaviour on BNPL Services,** A quantitative study on the buying behaviour of Generation Z" BNPL services have a significant influence on impulsive buying behavior, particularly among younger consumers like Generation Z. Research indicates that BNPL's flexible payment options reduce the perceived financial burden, leading to higher spending and unplanned purchases. While external and internal factors contribute to impulsive buying, studies show no significant difference in BNPL-driven impulsive purchases between Gen Z and older consumers. Researchers suggest implementing financial literacy programs and regulatory measures to mitigate the risks of overspending and debt accumulation.
5. **Andres Santiago Garcia Alvarez (2022) studied on "Buy-now Pay-later Business Models and Market Overview",** BNPL reduces upfront financial burdens and encourages impulse purchases. Retailers benefit from higher conversion rates and larger transactions. However, BNPL increases the risk of consumer over-indebtedness and repayment challenges. Policymakers are pushing for greater transparency and consumer protection.

III. OBJECTIVES

1. To analyze the impact of BNPL (Buy Now Pay Later) service on consumer purchasing decision in offline retail.
2. To identify the key factors that drive consumers to use BNPL in offline retail.
3. To evaluate consumer trust and satisfaction with BNPL services in offline.
4. To identify barriers and challenges faced by consumer when using BNPL services in physical store.

IV. HYPOTHESIS OF THE STUDY

H1: There exists no association between usage frequency of BNPL and influence on purchase decision in physical retail stores.
H2: There exists no association between type of product purchased using BNPL and perceived budget management benefits in offline retail.
H3: There exists no association between experience of hidden fees and perceived transparency of BNPL terms and conditions.
H4: Consumers face significant challenges such as hidden fees, technical difficulties, and limited store acceptance when using BNPL in offline retail.

V. RESEARCH METHODOLOGY

Research methodology is a way of systematically solving the research problem. Research methodology deals with the research design and methods used to present the study.

RESEARCH DESIGN

The research design for this study is descriptive in nature, aimed at understanding and analysing the effectiveness of Buy Now Pay Later (BNPL) services on consumer purchasing behavior in offline retail shops in Coimbatore. Descriptive research helps in obtaining information regarding the current status of the phenomena and is useful for identifying trends and patterns in consumer behavior.

AREA OF THE STUDY

The study is conducted in Coimbatore, one of the major cities in the state of Tamil Nadu, India. Coimbatore is a rapidly growing urban center known for its strong industrial base, educational institutions, and emerging retail market. The city has a mix of traditional and modern retail formats, including standalone stores, shopping complexes, and branded retail chains, making it an ideal location to study consumer purchasing patterns. The focus is specifically on offline retail shops, where consumers physically visit stores to make purchases. With the increasing penetration of digital payment methods and financial innovations like Buy Now Pay Later (BNPL) services, offline retailers in Coimbatore are gradually adopting these payment options to enhance customer experience and boost sales.

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POPULATION OF THE STUDY

The population of the study includes consumers who shop at offline retail outlets in Coimbatore and are either aware of or have used Buy Now Pay Later (BNPL) services. This includes individuals across various age groups, income levels, occupations, and educational backgrounds who make instore purchases at retail shops such as apparel stores, electronics showrooms, supermarkets, and lifestyle stores.

SAMPLING TECHNIQUE

The sampling technique used for this study is Convenience Sampling, a type of non-probability sampling method. This technique involves selecting respondents who are easily accessible and willing to participate in the survey

SAMPLE SIZE

Since the entire population cannot be taken for the study, the size of the sample was restricted to 226 respondents

VI. DATA ANALYSIS AND INTERPRETATION

1. Usage Frequency of BNPL and Influence on Purchase Decisions in Physical Retail Stores.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.475	16	.021
Likelihood Ratio	30.114	16	.017
N of Valid Cases	226		

H_0: There exists no association between usage frequency of BNPL and influence on purchase decision in physical retail stores.
Calculated $\chi 2$ Value: 29.475, Degree of freedom: 16, Signification level: .021

INTERPRETATION

As the calculated $\chi 2$ value (29.475) is significant (.021) at five percent level, there exist an association between usage frequency of BNPL and influence on purchase decision in physical retail stores. Hence the null hypothesis is rejected.

2.Type of product purchased using BNPL and Perceived Budget Management Benefits in Offline Retail

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.942	16	.091
Likelihood Ratio	26.416	16	.048
N of Valid Cases	226		

H_0: There exists no association between type of product purchased using BNPL and perceived budget management benefits in offline retail.
Calculated $\chi 2$ Value: 23.942, Degree of freedom: 16, Signification level: .091

INTERPRETATION

As the calculated $\chi 2$ value (23.942) is not significant (.091) at five percent level, there exist no association between type of product purchased using BNPL and perceived budget management benefits in offline retail. Hence the null hypothesis is accepted.

3. Experience of Hidden Fees and Perceived Transparency of BNPL Terms and Conditions

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.504	2	.014
Likelihood Ratio	8.133	2	.017
N of Valid Cases	226		

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H_0: There exists no association between experience of hidden fees and perceived transparency of BNPL terms and conditions.
Calculated $\chi 2$ Value: 8.504, Degree of freedom: 2, Signification level: .014

INTERPRETATION
As the calculated $\chi 2$ value (8.504) is significant (.014) at five percent level, there exist an association between experience of hidden fees and perceived transparency of BNPL terms and conditions. Hence the null hypothesis is rejected.

4. A Correlation Analysis Between Customer Satisfaction with Offline BNPL Experiences and Their Likelihood to Recommend BNPL Services

Correlations			
		How satisfied are you with your BNPL experience in offline retail	Would you recommend BNPL services to others
How satisfied are you with your BNPL experience in offline retail	Pearson Correlation	1	.072
	Sig. (2-tailed)		.284
	N	226	226
Would you recommend BNPL services to others	Pearson Correlation	.072	1
	Sig. (2-tailed)	.284	
	N	226	226

INTERPRETATION
The Pearson correlation analysis between users' satisfaction with BNPL services in offline retail and their likelihood to recommend these services revealed a positive correlation ($r = 0.072$, $p = 0.284$, $N = 226$). This suggests that satisfaction contributes to the likelihood of recommending BNPL services. The findings highlight the potential role of customer satisfaction in shaping recommendation behavior. Although the correlation is relatively limited in strength, the result offers valuable insight, indicating that satisfaction plays a role in influencing recommendation decisions. These insights emphasize the importance of customer satisfaction as a contributing factor in promoting BNPL services. Businesses can leverage this understanding to better align their strategies with consumer behavior and enhance overall service quality.

VII. FINDINGS

- A significant connection exists between the frequency of BNPL service usage by consumers and their purchasing decisions in offline retail stores, with frequent users exhibiting different buying behaviors compared to non-users.
- The type of products purchased using BNPL shows a weak correlation with consumers' perceptions of their ability to manage their budget, suggesting that BNPL does not significantly influence their sense of financial control when buying different products.
- Consumers who experience hidden fees with BNPL services tend to perceive the terms as less transparent, highlighting the need for clear communication of fees to maintain consumer trust.
- While some consumers may perceive budget benefits from BNPL depending on what they purchase, this perception is not statistically consistent across the sample, limiting generalizability.

VIII. SUGGESTIONS AND RECOMMENDATIONS

- Segment consumers based on their frequency of BNPL usage to determine if trust and satisfaction increase or decrease over time.
- Analyze how the terms and conditions of BNPL services, particularly regarding interest rates and fees, affect consumer perceptions of fairness and trust.

- Explore the role of staff training at retail locations to ensure consumers fully understand BNPL terms and how to use the service seamlessly.
- Research whether technical issues play a role in hindering BNPL usage during checkout.
- Investigate whether clear communication from retailers about the terms of BNPL services could reduce consumer hesitation.
- Examine whether certain consumer segments trust BNPL services more and are more likely to recommend it compared to older generations.

CONCLUSION

This study offers valuable insights into the effectiveness of Buy Now Pay Later (BNPL) services on consumer purchasing behavior in offline retail stores in Coimbatore. The findings reveal that BNPL significantly influences consumers' purchasing decisions, particularly among frequent users. Retailers can benefit from the increased purchasing frequency and higher sales volume that BNPL services drive. However, BNPL has a limited impact on how consumers perceive their budget management, suggesting that they view it more as a convenience than as a tool for better financial control. Transparency in BNPL terms and the experience of hidden fees are key factors affecting consumer satisfaction. Retailers and financial service providers must prioritize clear communication of fees to foster trust with consumers. Despite BNPL enhancing purchasing power, customer satisfaction with the service does not strongly correlate with the likelihood of recommending it to others. This indicates that while consumers are willing to use BNPL, they may not feel compelled to actively promote the service to others.

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